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FOR S/CT:AMBASSADOR DAILY, AND NEA/ARP

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SUBJECT: SCENESETTER FOR THE TRAVEL OF AMBASSADOR DAILEY TO  
YEMEN

REF: SANAA 1989

Classified By: Ambassador Stephen Seche for reasons 1.4 (b) and (d)

#### INTRODUCTION AND SUMMARY

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1.(S) Ambassador Dailey, Embassy Sana'a looks forward to your visit. As you know, the recent release of convicted USS Cole bombing conspirator Jamal al-Badawi has put a considerable strain on the bilateral relationship. While we now believe that President Saleh recognizes the magnitude of his error in releasing al-Badawi, he has refused our request for extradition, citing a Constitutional prohibition. The indefinite delay of the signing of Yemen's Millennium Challenge Corporation (MCC) Threshold Country Plan (TSP) has proven to be an effective lever. We hope that your meetings will give you the opportunity to personally press this key issue, noting that extradition remains our preferred outcome but that, at the very least, we must be reassured that Badawi will be returned to jail to serve out the duration of his sentence.

2.(U) In order to help you prepare for your visit, Embassy Sana'a is providing this document. It begins, per your request, with an examination of the issue of Yemeni fighters traveling to Iraq. It continues with a brief overview of the political and economic situation in country and the bilateral relationship, and concludes with a review of issues that are key to the internal workings of Yemen and to our bilateral relationship. End introduction and summary.

#### FOREIGN FIGHTERS

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3.(S) The ROYG is particularly sensitive on the issue of Foreign Fighters. ROYG sources are tight-lipped to the point of being secretive on the issue. Much of the information that has been obtained cannot be transmitted in these channels. We have asked that this information be passed to you via appropriate means. It is known that Yemen is a source of foreign fighters and a way point on some foreign fighters, road to Iraq.

4.(U) Yemen is the poorest Arab country. Further, since September 2006, prices of basic consumer goods have risen in real terms by at least 100 percent. Inflation has worsened the already abysmal poverty rate and has led to the bankruptcy of at least 2,400 businesses. Additionally, the central government lacks control over many tribal areas and, particularly in the south, is seen to be corrupt. All of these issues make Yemen's poor and disaffected prime candidates for recruitment by extremists, particularly in those areas historically underserved by the ROYG. Post's international assistance efforts through USAID, the Department of Agriculture's Food for Progress Program, the

Department of Defense's Civil Affairs Program and the Middle East Partnership Initiative have concentrated on alleviating these negative indicators. Yemen's poverty, endemic corruption, and dire financial outlook, however, have complicated these efforts.

5.(C) The USG has long identified the lack of a strong CT law with anti-conspiracy provisions as a major flaw in Yemeni jurisprudence that makes it difficult for the ROYG to arrest, charge, and convict those who commit terrorist acts in foreign countries. All too often, returned fighters from Iraq are charged only with document fraud or forgery, and are given relatively light sentences. During the recent visit of Presidential Advisor for Homeland Security and Counterterrorism Frances Townsend, President Saleh off-handedly accepted her offer of USG assistance in drafting such a law; we are following up to see if his response reflects real receptivity to the offer. Post already has provided the ROYG with copies of effective CT laws from other Arab countries to use as examples. The Yemenis claim to be progressing on the draft law but post has yet to see any concrete progress.

#### GENERAL INFORMATION

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6.(U) Yemen is a republic with a bicameral legislature. Under the constitution, an elected president, an elected 301-seat House of Representatives, and an appointed 111-member consultative Shura Council share power. The president is head of state, and the prime minister is head of government. The constitution provides that the president be elected by popular vote from at least two candidates endorsed by Parliament; the prime minister is appointed by the president. The presidential term of office is 7 years, and

the parliamentary term of elected office is 6 years. Suffrage is universal over 18. (Note: In late September, President Saleh proposed a series of amendments that would, among other things, reduce the terms of office for the president and legislators and would allow for the election of Shura Council members. End Note.)

7.(U) Yemen's economy is highly dependent on oil. The oil industry represents 70-80 percent of the national budget and 23 percent of the GDP. Yemen has proven reserves of four billion barrels. Yemen's oil resources are dwindling. The country produced 471,000 barrels per day (bpd) in 2001 but by 2007, production dropped to 330,000 bpd. The ROYG places great hope in liquefied natural gas as a replacement for oil as an engine for economic growth, despite the fact that best estimates indicate that Yemen's gas production will produce only half the income that oil production produces today.

#### FOREIGN AID

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8.(U) Yemen is a valuable, if occasionally inconsistent, partner in the war on terror and receives considerable assistance from the United States. Yemen is currently benefiting from 34 Middle East Partnership Initiative (MEPI) projects, twice the number of projects in any other country. Yemen is requesting just under 51 million dollars in US assistance in FY 2009, with Peace and Security and Investing in People as its primary targets. More than 9.5 million USD of that aid comes from FMF and IMET funds. In addition to these traditional sources of aid, the Embassy's Office of Military Cooperation (OMC) provides in-kind military support through the 1206 program. Assistance is also provided through the DOD's Civil Affairs Program. This program is currently implementing over 7 million USD in aid projects, including schools and clinics.

#### JAMAL AL-BADAWI AND COUNTERTERRORISM

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9.(S) The release to "house arrest" of Jamal al-Badawi was a colossal blunder on the part of the ROYG and has the single

most pressing issue in the bilateral relationship at this time. Al-Badawi was released as a part of a ROYG program wherein fugitive terrorists surrender themselves, forswear future terrorist activities, and agree to cooperate with the ROYG to locate other fugitive terrorists and either negotiate their surrender or facilitate their capture by security forces. In a meeting with the Ambassador in Aden on October 29, President Saleh vigorously defended this "surrender" program for extremists, arguing that even if a few individuals have abused its terms, it has succeeded overall in its goal of reducing the ranks of al-Qaeda and other terrorist organizations in Yemen and saved American lives in Afghanistan and Iraq.

10.(S) Our sources indicate that, due to the very negative, public reaction in the US - and the USG decision to indefinitely delay signing the MCC Threshold Program agreement - Saleh realizes the magnitude of his error and is willing to work toward repairing the trust that has been damaged by this episode. We do not know, however, if this disposition extends to extraditing Badawi. Thus far, the President has been adamant that the Yemeni Constitution precludes extradition, a point reiterated by the Foreign Minister to the Ambassador on November 5. It is our judgment that nothing short of a POTUS phone call directly to Saleh would have any chance of persuading him to seriously consider the extradition option and even that offers no guarantees, given the stiff political price Saleh would have to pay domestically. We believe that, in order to extradite Badawi, Saleh would have to renege on commitments made to Badawi and his supporters (Note: senior Presidential advisor AbdulKarim al-Eryani suggested to the Ambassador on November 3 that these supporters are influential and could make life uncomfortable for Saleh, but declined to identify them. End Note.) We believe the deal would probably have entailed an agreement that, if al-Badawi surrendered and agreed to help apprehend others, he could avoid going back to prison. Facing a broad array of other difficulties (see paras 14-23), Saleh is short on political capital and in a difficult position to be seen as reneging on agreements with influential Yemenis to appease the US.

11.(S) On the broader counterterrorism front, rhetoric in the media and official statements asserts the ROYG's commitment to fighting terrorism. (Note: Not all the groups identified by the ROYG as terrorist groups are recognized by the USG as such. The al-Houthi, a group of insurgents in Saada Province who battled with ROYG forces in the first half of 2007 - and who seem to be resurgent at this time - (see

para 16), are a prime example. End Note). The ROYG successfully deployed the USG-supported Central Security Forces Counterterrorism Unit (CSF-CTU) in at least three operations in the past year, killing 10 suspects with ties to al-Qa'ida. On August 23, the ROYG announced a ban on the carrying of guns in major cities, and it reportedly has met with success, a plus for Yemeni counterterrorism efforts.

12.(C) The security situation in Yemen remains an issue of concern. The last year has witnessed a number of terrorist attacks, including the May 20 terrorist bombings in Sana'a which killed one child and the July 2 al-Qa'ida Suicide Vehicle Borne Improvised Explosive Device (SVBIED) attack on a group of Spanish tourists in Marib, which killed ten. Seven of twenty-three February 2006 prison escapees with al-Qa'ida ties remain at large. The lack of strong counterterrorism laws in Yemen means that, even when terrorists are caught, the ROYG often lacks the legal basis to hold them. Advisor to the President for Homeland Security and Counterterrorism (APHSCT) Frances Townsend discussed the lack of an effective counterterrorism law during her October 22 meeting with President Saleh in Aden (reftel) Yemenis make up the largest percentage of detainees at Guantanamo Bay: 97 of the 335 Guantanamo Bay detainees are Yemeni and another four who are listed as Saudis may be as well. We are currently working with the ROYG to send a delegation to GTMO

before year's end to resolve the citizenship issue so that efforts to repatriate the Yemeni detainees can proceed. DOD has agreed to facilitate and finance this travel.

#### FORUM FOR THE FUTURE

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13.(U) This year the ROYG will co-host (with Germany) the Forum for the Future. The event is scheduled to take place in Sana'a on December 4 and 5. The ROYG has promised a high level of civil society participation in the forum itself and there will be a parallel civil society event taking place November 30-December 2. The ROYG is putting great emphasis on the success of the Forum. By the time you arrive, DRL DAS Erica Barks-Ruggles and NEA MEPI DAS Kent Patton will have completed a visit to Sana'a to participate in Forum for the Future planning meetings. Secretary Rice has confirmed her intention to participate in the ministerial-level meeting.

#### CORRUPTION

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14.(C) On June 25, Yemen's Parliament elected eleven members to the first Supreme National Authority to Combat Corruption (SNACC). The Commission will be responsible for implementing the new Anti-Corruption Law and developing a national strategy involving the government, media and civil society. Observers remain divided about the impact SNACC will have, but most remain cautiously optimistic. Most board members have a technical or legal background and an reputation for honesty. Implementation will be the real test of the Anti-Corruption Law. Much will depend on SNACC's relations with other ROYG bodies. Observers are waiting to see if the ROYG has the political will to enforce this law and if SNACC will be an effective mechanism for doing so.

#### WTO ACCESSION

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15.(C) The ROYG applied for accession to the WTO in April 2000. At its meeting on 17 July 2000, the General Council established a Working Party to examine the application of the ROYG. WTO Members welcomed Yemen's application and pledged to work to constructively advance and conclude its accession on appropriate terms. While appreciating the reforms already undertaken, members noted that further work is needed to achieve compliance with WTO rules and disciplines. The ROYG is currently revising or creating for the first time a great volume of trade and investment related laws. Yemen still must make concrete commitments, and the ROYG needs a plan to implement these commitments within the flexibilities afforded to the least-developed countries.

#### FREEDOM OF EXPRESSION

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16.(C) In recent months, the ROYG has taken aggressive action to intimidate journalists and inhibit their ability to report on sensitive and security-related subjects, raising doubt about the government's commitment to freedom of speech and dissent in Yemen. The repeated abduction and physical abuse of Abdul-Karim al-Khaiwani, an opposition journalist and editor of "Al-Shura.net," and the harassment of Nayif Hassan and Nabeel Shabib, owners, editors, and writers of the

independent weekly "al-Shar'e," are specific issues of concern. (Comment: The Yemeni government officially denies any involvement in the actions taken against the journalists, although Khaiwani and others insist it was government forces that acted against them. End Comment).

17.(C) The ROYG's reportedly violent reaction to largely peaceful protests - especially in the south - reflects its willingness to curtail the rights of Yemeni citizens to maintain control over an increasingly restive population. Demonstrations over unemployment and rising prices have

resulted in death, injury, and detention at the hands of government forces. Recently, four people were killed and another 15 were injured on October 13 when police opened fire on a large group of Yemenis preparing a demonstration to mark the 44th anniversary of the 1963 uprising in Southern Yemen against British occupation.

18.(C) In terms of legislative developments, in August, a draft 'National Unity, Interior Front, and Social Peace' law was submitted to Parliament. This law, which, among other things, would criminalize criticism of the president, caused a great deal of controversy when it was proposed in August. Opposition journalists fear that it could further roll back the already limited press freedoms enjoyed by publications in Yemen. Our contacts have recently told us that they believe that the draft law will either be withdrawn or left to languish in the Parliament but will not be enacted.

#### UNREST IN THE SOUTH

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19.(C) Southern Yemenis dissatisfied with the Saleh government (which they argue favors north Yemen) have been staging demonstrations since July, resulting in at least six deaths at the hands of Yemeni riot police and armed forces. The demonstrations, often numbering in the thousands and organized by Yemeni political opposition parties, are inspired by a small group of forced retired southern military officers seeking reinstatement and higher pensions, and are primarily composed of these individuals, their supporters and Yemenis angered by the rising cost of essential foodstuffs. Their ire, however, is not a recent development. Since North and South Yemen united in 1990, southern Yemenis have argued that only the north has benefited from unity, while southerners have lost jobs, land, economic opportunities, and basic rights. Although the demonstrators show no sign of relenting and the government has given no indication it intends to use any means other than physical force to suppress them, it is generally thought unlikely that southern antagonism will boil over into widespread civil unrest reminiscent of the 1994 civil war fought between North and South Yemen.

#### SAADA SITUATION

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20.(C) While the ROYG is dealing with simmering unrest in the south, it still faces concerns in the northern governorate of Saada where, until a June 14 cease-fire, insurgents loyal to Zaydi (Shia) cleric Abdul-Malik al-Houthi battled ROYG forces. The weak Qatari-inspired mediation agreement to end fighting in Saada remains just that and since the end of the Eid al Fitr (mid-October) we have heard a growing number of accounts of clashes between rebels and ROYG forces. Neither the ROYG nor the al-Houthi forces have shown a willingness to implement any of the cease-fire agreement's key points, and positions staked out in the press between President Saleh and rebellion leader Abdul-Malik al-Houthi indicate neither is willing to back down. Regardless of whether large scale violent clashes between government and al-Houthi forces resume in the near term, the conflict between the two sides has not been successfully mediated and could flare up again into a renewed round of war. (Note: There have been two previous phases of fighting between the al-Houthis and the ROYG in 2004 and 2005. End Note). Additionally, the humanitarian situation in Saada remains a huge challenge, and renewed fighting will only further inhibit the ability of relief organizations to work in the area.

#### REFUGEES AND IDPS

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21.(U) Refugees, mainly from Somalia and Ethiopia, arrived in great numbers by sea from September 2006 to May 2007. Nearly 29,000 refugees arrived in Yemen in 2006 and nearly 14,000 have arrived in 2007 thus far, according to the United Nations High Commissioner for Refugees (UNHCR) and Yemeni

press reporting. Press reports also indicate that the influx of refugees is likely to increase rapidly over the final two

months of 2007. In the first 26 days of September, over 4,700 refugees arrived on Yemen's shores, an increase of 70 percent over last year's 2,900 arrivals. So far in 2007, nearly 400 refugees have died and 272 remain missing in their attempts to reach Yemen, according to UNHCR reporting, whereas the 2006 numbers of dead and missing totaled 328 and 310, respectively. Thousands of refugees who arrive in Yemen try to continue north to find work in Saudi Arabia. Many die on the long journey across the desolate Yemen-Saudi border. There are currently an estimated 108,000 refugees in Yemen, of which 101,000 are Somali and the remaining 7,000 mostly Ethiopians and Iraqis. UNHCR has, as of October, issued 48,000 identification cards to refugees in Yemen in an effort to track refugee numbers and movement.

22.(U) In early September, the International Committee of the Red Cross (ICRC) reported that they have assisted 43,000 IDPs in Yemen's northwest Saada Governorate, and estimate the total to be 56,000 - 60,000. Security concerns have restricted the ability of aid organizations to provide assistance. The ICRC and Red Crescent Society currently operate two camps in Saada that provide non-food aid (blankets, water cans, and soap) and primary health care through five mobile clinics. UNHCR has recently opened a satellite office in Saada to help with the IDPs there.

#### A LAND OF CONTRADICTIONS

23.(S) As you can see, Yemen is a complex country facing enormous challenges. This is perhaps appropriate for a country that enjoys both the benefits and drawbacks of its location at the crossroads of the Middle East and Africa. Yemen shares many qualities of neighboring African states (certainly, its poverty and lack of development come to mind), but remains resolutely Arab at the same time. Its oil-rich neighbors in the GCC often seem lukewarm or worse in their relations with Yemen, and have resisted its repeated overtures for GCC membership. Domestically, the ROYG has taken significant steps toward reform but concerns remain about its long-term commitment. Until the ROYG reins in corruption and evidences - in deed, as well as word - its support for freedom of expression, both reform and development will face an uphill battle. A similar contradiction exists on terrorism issues. The ROYG has often been cooperative with our counterterrorism efforts but seems to lack the will to craft strong CT laws and, from time to time, makes decisions, as it did in the Badawi case, that undermine its claim to be a reliable CT partner. At the same time, with economic conditions suffering from rising prices, significant pockets of unrest in both the North and South, and recent terrorist attacks, the Saleh government has its hands full trying to maintain internal stability and security. Our own interests are very much at stake here: should the ROYG fail to solve the problems that confront it, the future of Yemen itself could be in doubt, resulting in serious instability on the Arabian Peninsula. The implications are enormous, both from a counter-terrorism as well as a humanitarian perspective. We must continue to reassure President Saleh that we are committed to Yemen's unity, stability and prosperity, but that we reserve the right as a friend and partner (and significant donor) to draw his attention to those shortcomings that we believe hinder efforts to achieve these goals.

SECHE